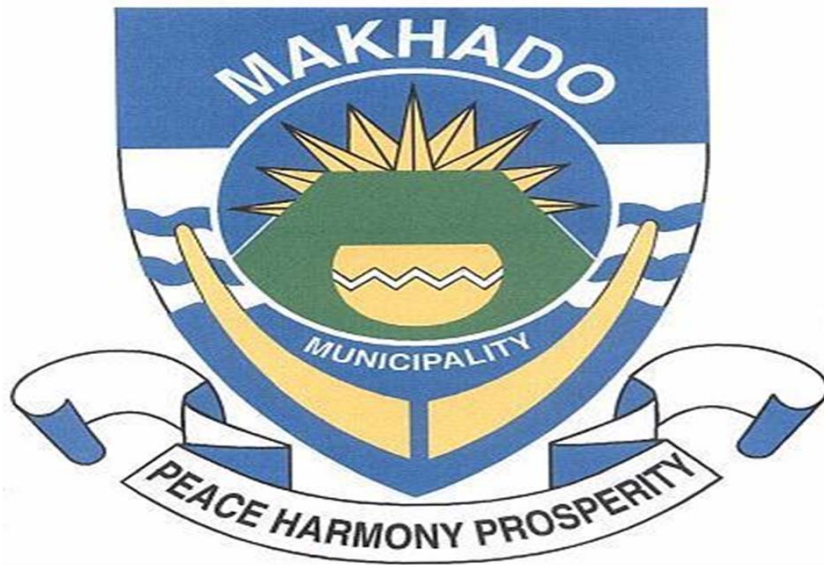


MAKHADO LOCAL MUNICIPALITY



FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

MAKHADO LOCAL MUNICIPALITY



ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2010

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 46, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 35 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

S TSHIKALANGE
MUNICIPAL MANAGER

DATE

Annual Financial Statements

for

MAKHADO LOCAL MUNICIPALITY

for the year ended 30 June:

2010

Province:

Limpopo

AFS rounding:

R (i.e. only cents)

Contact Information:

| | |
|--|--|
| Name of Municipal Manager: | Mr S Tshikalange |
| Name of Chief Financial Officer: | RH MALULEKE |
| Contact telephone number: | (015) 5193000 |
| Contact e-mail address: | malulekerh@makhado.co.za |
| Name of contact at provincial treasury: | |
| Contact telephone number: | N. NGOEPE |
| Contact e-mail address: | |
| Name of relevant Auditor: | AUDITOR GENERAL |
| Contact telephone number: | 015 291 7000 |
| Contact e-mail address: | eabotsi@agsa.co.za |
| Name of contact at National Treasury: | Thomas Matjeni |
| Contact telephone number: | thomas.matjeni@treasury.gov.za |
| Contact e-mail address: | 012 315 5792 |

MAKHADO LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 june 2010

GENERAL INFORMATION

MEMBERS OF THE COUNCIL

MAYOR

MM LERULE

Appointed 01/12/2008

SPEAKER

MS J HOORZUK

CHIEF WHIP

MR FJ RIKHOTSO

EXCO - FULL TIME

MR MA MUVHUMBE

MS LB LOWANE

MR FD MUTAVHATSINDI

EXCO - PART TIME

MR S MASUKA

MR NK MABOHO

MR TJ MUDAU

MRS PQ REYNEKE

MR SR BALOYI

MS J MATUMBA

COUNCILLORS NORMAL

MR NS MATAMELA

MR SE MAKHOMISANI

MRS A KENNEALY

MR D MALETE

MRS EH NGOBENI

MRS PRJ NEMALEGENI

MR MR SELEPE

MR MN MABILA

MR NA MATODZI

MS FF RUMANI

MS RG NKANYANI

MR MS RADAMBA

MR MM MAKHADO

MR AA CHAYA

MR MD MULOVHEDZI

MRS AS GUNDULA

MS MR MUFAMADI

MS AL SIPHUMA

MR MA MAKHERA

MS T E MABOHO

MRS E MADUWA

MR ME LEBEA

MS NE NGOBENI

MR KD MAUBA

MR NJ MUROVHI

MR P PHASWANA

MR J DZHOMBE

MR FB HLONGWANI

MS SD RAMUDZULI

MR MB BOPAPE

MS OS MAPHALA

MS AG NGWANA

MS RT MAKHUBELA

MS TL NTHULANE

MR ML MUNUNGUFHALA

MR LP MASHAU

MR K MAVHUNGU

MRS RG MACHOVANI

MS MA HELM

MR SJ MAHWAI

MRS LM NEKHUMBE

MRS A J MUKHAHA

MR A DU PLOOY

MS N V MAHLAULE

MR NG RAMASHIA

MS MD MBOYI

MF MAHANI

MR TG TSHAVHUYO

MRS SM RIKHOTSO

MS P BALADZI

MS BT NDHLIWAYO

MR XNC HONWANA

MR SDS MANGANYI

MR SG MAGUGA

MR WN MASHELE

MR TG NCHAUBA

MRS HA MASHAMBA

MR JD KUMALO

MRS MM MAKANANISE

MR MN MAKHADO

MRS KP NEPHAWE

Municipal Manager

Mr S TSHIKALANGE

Chief Financial Officer

Mr. R H MALULEKE

Grading of Local Authority

GRADE : 4

Bankers

Absa Bank - Makhado Branch

Auditors

Account number: 1000000147

Auditor-General

MAKHADO LOCA
ANNUAL FINANCIAL STATEMENT
for the year ended 31 December 2014

General information (continued)

Registered Office:

Physical address:

Postal address:

Telephone number:

Fax number:

E-mail address: CFO
: MM

AL MUNICIPALITY
IAL STATEMENTS
ed 30 June 2010

MAKHADO MUNICIPALITY - NP344
Limpopo
Makhado (Louis Trichardt)

Corner Krogh Street & Erasmus
Civic Centre
Makhado
O920

Private Bag X2596
Makhado
O920

(015) 5193000

(015) 5161195

malulekerh@makhado.co.za
shadrackt@makhado.co.za

MAKHADO LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

Approval of annual financial statements

I am responsible for the preparation and fair presentation of the Annual Financial Statements of Makhado Municipality comprising the Statement of Financial Position as at 30 June 2010, the Statement of Financial Performance, the Statement of Changes in Net Assets and Cash Flow Statement for the year then ended, and the notes to Annual Financial Statements, which include a summary of significant policies and other explanatory notes, and the performance report, in accordance with South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such statements issued by the Accounting Practices Board, with the Standards of Generally Recognised Accounting Practices issued by the Accounting Standards Board and in the manner required by the MFMA and the Division of Revenue Act 12, 2009 (Act No. 12 of 2009) (DoRA)

I have executed my responsibility as an accounting officer including: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

I have also made an assessment of the municipality's ability to continue as a going concern and have no reason to believe the municipality will not be a going concern in the next twelve months.

Municipal Manager:

31 August 2010

MAKHADO LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010




















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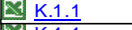
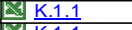
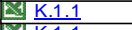
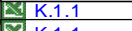
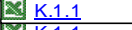
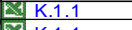
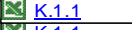
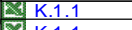
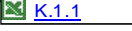
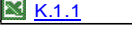
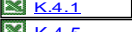
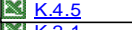
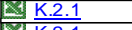
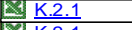
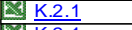
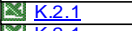
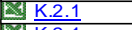
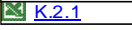
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MAKHADO LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION

as at 30 June 2010

| | Note | 2010 | 2009 |
|--|----------|--|--------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 1 | 38 880 956  | 33 946 901 |
| Trade and other receivables from exchange transactions | 2 | 103 970 966  | 96 306 036 |
| Other receivables from non-exchange transactions | 3 | 5 294 969  | 5 412 115 |
| Inventories | 4 | 5 474 997  | 7 139 844 |
| Current portion of receivables | 7 | 31 462  | 97 614 |
| VAT receivable | 11 | 4 512 391  | 10 953 554 |
| Non-current assets | | | |
| Property, plant and equipment | 8 | 911 030 427  | 643 690 733 |
| Total assets | | 1 069 196 168 | 797 546 797 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables from exchange transactions | 9 | 51 716 308  | 58 298 270 |
| Consumer deposits | 10 | 7 945 523  | 7 290 679 |
| VAT payable | 11 | 13 851 244  | - |
| Current provisions | 12 | 17 117 839  | 10 994 181 |
| Bank overdraft | 1 | 19 382 601  | 22 840 753 |
| Current portion of unspent conditional grants and receipts | 13 | 35 698 35  | 15 506 848 |
| Current portion of borrowings | 14 | 1 446 185  | 1 512 353 |
| Non-current liabilities | | | |
| Non-current borrowings | 14 | 12 872 257  | 14 725 124 |
| Non-current provisions | 15 | 4 592 277  | 400 000 |
| Total liabilities | | 164 622 585 | 131 568 208 |
| Net assets | | 904 573 583 | 665 978 589 |
| NET ASSETS | | | |
| Reserves | | 265 200 415  | - |
| Accumulated surplus / (deficit) | | 639 373 169  | 665 978 589 |
| Total net assets | | 904 573 583  | 665 978 589 |

MAKHADO LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2010

| | Note | 2010 | | 2009 |
|---|------|---------------------|---|--------------------|
| Revenue | | | | |
| Property rates | 16 | 16 834 057 |  | 24 754 273 |
| Service charges | 17 | 182 148 045 |  | 148 896 182 |
| Rental of facilities and equipment | 18 | 220 302 |  | 387 556 |
| Interest earned - external investments | 19 | 2 934 903 |  | 5 230 136 |
| Interest earned - outstanding receivables | 20 | 9 593 784 |  | 3 033 654 |
| Fines | | 2 796 705 |  | 2 773 493 |
| Licences and permits | | 10 066 622 |  | 11 314 261 |
| Government grants and subsidies | 21 | 180 769 233 |  | 166 874 772 |
| Other income | 22 | 7 556 325 |  | 11 210 411 |
| Total revenue | | 412 919 975 |  | 374 474 738 |
| Expenses | | | | |
| Employee related costs | 23 | 151 750 741 |  | 117 647 463 |
| Remuneration of councillors | 24 | 15 599 914 |  | 14 444 036 |
| Provision for Doubtful debts | | 19 217 656 |  | 3 593 833 |
| Depreciation and amortisation expense | 25 | 46 027 164 |  | 48 805 263 |
| Repairs and maintenance | | 21 284 418 |  | 27 972 914 |
| Finance costs | 26 | 1 602 303 |  | 1 327 130 |
| Bulk purchases | 27 | 87 788 394 |  | 75 935 027 |
| General expenses | 28 | 96 157 008 |  | 46 283 730 |
| Total expenses | | 439 427 598 | | 336 009 397 |
| Surplus / (deficit) for the period | | (26 507 622) | | 38 465 341 |

MAKHADO LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2010

| | Revaluation Reserve | Other reserves | Total: Reserves | Accumulated Surplus/(Deficit) | Total: Net Assets |
|---|---------------------|----------------|--------------------|-------------------------------|--------------------|
| Note | | | | | |
| Balance at 30 June 2008 | - | | - | 774 029 748 | 774 029 748 |
| Correction of prior period error | | | | (146 516 500) | (146 516 500) |
| Restated balance | - | - | - | 627 513 248 | 627 513 248 |
| Surplus / (deficit) on revaluation of property of property, plant and equipment | | | | | - |
| Net gains and losses not recognised in the statement of financial performance | | | | | - |
| Transfers to / from accumulated surplus/(deficit) | | | | | - |
| Surplus / (deficit) for the period | | | | 38 465 341 | 38 465 341 |
| Balance at 30 June 2009 | - | - | - | 665 978 589 | 665 978 589 |
| Surplus / (deficit) on revaluation of property of property, plant and equipment | | | | | - |
| Revaluation reserves | 265 200 415 | | 265 200 415 | | 265 200 415 |
| Net gains and losses not recognised in the statement of financial performance | | | | | - |
| Transfers to / from accumulated surplus/(deficit) | | | | | - |
| Surplus / (deficit) for the period | | | | (26 605 420) | (26 605 420) |
| Balance at 30 June 2010 | 265 200 415 | - | 265 200 415 | 639 373 169 | 904 573 583 |

| MAKHADO LOCAL MUNICIPALITY CASH FLOW STATEMENT as at 30 June 2010 | | | |
|---|-------------|---------------------|---------------------|
| | Note | 2010 | 2009 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts | | 426 614 971 | 298 676 040 |
| Taxation | | 16 834 057 | 24 754 273 |
| Sales of goods and services | | 172 692 346 | 88 536 323 |
| Grants | | 200 960 738 | 151 435 932 |
| Interest received | | 12 528 687 | 8 263 790 |
| Other receipts | | 23 599 143 | 25 685 722 |
| Payments | | 368 792 129 | 244 385 718 |
| Employee costs | | 145 338 334 | 117 647 463 |
| Remuneration of councillors | | 15 599 914 | 14 444 036 |
| Interest paid | | 1 602 303 | 1 327 130 |
| Payments to suppliers | | 206 251 578 | 110 967 089 |
| Net cash flows from operating activities | 29 | 57 822 842 | 54 290 322 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of fixed assets | | (48 166 442) | (77 297 095) |
| Net cash flows from investing activities | | (48 166 442) | (77 297 095) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from borrowings | | - | 5 126 875 |
| Repayment of borrowings | | (1 919 036) | (1 206 032) |
| Increase in consumer deposits | | 654 844 | 1 753 995 |
| Net cash flows from financing activities | | (1 264 192) | 5 674 838 |
| Net increase / (decrease) in net cash and cash equivalents | | 8 392 208 | (17 331 935) |
| Net cash and cash equivalents at beginning of period | | 11 106 147 | 28 438 081 |
| Net cash and cash equivalents at end of period | 30 | 19 498 355 | 11 106 147 |

MAKHADO LOCAL MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 8 Interest in Joint Ventures - issued August 2006

GRAP 18 Segment Reporting - issued March 2005

GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008

GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007

GRAP 103 Heritage Assets - issued July 2008

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The Municipality has opted to take advantage of the transitional provision as required by Directive 4 with regard to measurement.

2.3 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

| Description | Life span in years | Description | Life span in years |
|-----------------------------|--------------------|------------------------------------|--------------------|
| Infrastructure | | Other | |
| Roads and Paving | 30 | Buildings | 30 |
| Pedestrian Malls | 30 | Specialist vehicles | 10 |
| Electricity | 30 | Other vehicles | 5 |
| Water | 20 | Office equipment | 7 |
| Sewerage | 30 | Furniture and fittings | 7 |
| | | Watercraft | 15 |
| Community | | Bins and containers | 5 |
| Buildings | 30 | Specialised plant and equipment | 10 |
| Recreational Facilities | 30 | Other items of plant and equipment | 5 |
| Security | 5 | Landfill sites | 5 |
| Halls | | Quarries | |
| Libraries | 20 | Emergency equipment | 10 |
| Parks and gardens | 15 | Computer equipment | 3 |
| Other assets | 7 | | |
| Heritage assets | | | |
| Buildings | 30 | | |
| Paintings and artifacts | 7 | | |
| Finance lease assets | | | |

| | | | |
|------------------|---|--|--|
| Office equipment | 7 | | |
| Other assets | 5 | | |

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

3.3.1 Computer software

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Investment property

4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

5 BIOLOGICAL ASSETS

5.1 INITIAL RECOGNITION

A biological asset or agricultural produce is recognised when, and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the municipality;
- and the fair value or cost of the asset can be measured reliably.

5.2 SUBSEQUENT MEASUREMENT

Biological assets are measured at their fair value less estimated point-of-sale costs.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

The fair value of milk is determined based on market prices in the local area.

The fair value of the vine / pine plantations is based on the combined fair value of the land and the vines / pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the vines / pine trees.

A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in profit or loss for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate is used to determine fair value.

An unconditional government grant related to a biological asset measured at its fair value less estimated point-of-sale costs is recognised as income when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on biological assets where fair value cannot be determined, to write down the cost, less residual value. The annual depreciation rates are based on the following estimated average asset lives:

6 NON-CURRENT ASSETS HELD FOR SALE

6.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

6.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

7 INVENTORIES

7.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

7.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

8 FINANCIAL INSTRUMENTS

8.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

8.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

8.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

8.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

8.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

8.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

9 INVESTMENTS IN ASSOCIATES

An associate is an entity in which the investor has significant influence and which is neither a controlled entity nor a joint venture of the investor. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The municipality exercises judgement in the context of all available information to determine if it has significant influence over an investee.

The equity method involves recognising the investment initially at cost, then adjusting for any change in the investor's share of net assets of the associate since it acquired it. A single line-item in the Statement of Financial Performance presents the investor's share of the associate's surplus or deficit for the year.

The municipality commences accounting for an investment in an associate from the date that significant influence exists and discontinues the application of the equity method when it no longer has significant influence over an associate. Investments that are retained in whole or in part are subsequently accounted for in accordance with the accounting policies on subsidiaries, joint ventures or financial instruments depending on the nature of the retained investment.

The municipality uses the most recent available financial statements of the associate in applying the equity method. Where the reporting periods of the associate and the municipality are different, separate financial statements for the same period are prepared by the associate unless it is impracticable to do so. When the reporting dates are different, the municipality makes adjustments for the effects of any significant events or transactions between the investor and the associate that occur between the different reporting dates. Adjustments are made to ensure consistency between the accounting policies of the associate and the municipality.

10 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

11 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

12 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

13 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

14 LEASES

14.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

14.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

15 REVENUE

15.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

15.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

15.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when they are received.

16 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

17 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

18 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by *the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs*.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

19 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

20

Deferred Income

Government grants related to assets, including non-monetary grants at fair value, shall be presented in the Statement of

- * account for the grant as deferred income, or

- * deduct the grant in arriving at the carrying amount of the asset.

If the grant is raised as **deferred income**, it shall be recognised as income on a rational and systematic basis over the

If the grant is **deducted** in arriving at the carrying amount of the asset, the grant is effectively recognised as income over

MAKHADO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

| | Note | 2010 | 2009 |
|---|--------------------|------------------------------|--------------------|
| 1 CASH AND CASH EQUIVALENTS | | | |
| Cash and cash equivalents consist of the following: | | | |
| Cash on hand | | 1 700 | 36 700 |
| Cash at bank | | (19 382 601) | (22 840 753) |
| Call deposits | | 38 879 256 | 33 910 200 |
| | | <u>19 498 355</u> | <u>11 106 147</u> |
| The Municipality has the following bank accounts: - | | | |
| <u>Current Account (Primary Bank Account)</u> | | | |
| Absa Bank - Makhado Brach - Account number 1000000147 | | | |
| Cash book balance at beginning of year | | (22 705 984) | (7 896 865) |
| Cash book balance at end of year | | (19 382 601) | (22 840 753) |
| Bank statement balance at beginning of year | | 724 166 | 8 594 816 |
| Bank statement balance at end of year | | 4 606 752 | 724 166 |
| | | | - |
| <u>Cash on hand</u> | | <u>1 700</u> | <u>36 701</u> |
| Total cash and cash equivalents | | <u>1 700</u> | <u>36 701</u> |
| Total bank overdraft | | <u>19 382 601</u> | <u>22 840 753</u> |
| 2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS | | | |
| | Gross Balances | Provision for Doubtful Debts | Net Balance |
| <u>Trade receivables</u> | | | |
| as at 30 June 2010 | | | |
| Service debtors | | | |
| Rates | 24 471 641 | 6 434 439 | 18 037 202 |
| Electricity | 31 470 884 | 2 978 422 | 28 492 462 |
| Water | 11 694 295 | 6 070 910 | 5 623 385 |
| Sewerage | 11 051 094 | 3 094 382 | 7 956 712 |
| Refuse | 11 681 563 | 3 286 354 | 8 395 209 |
| Other Services | 41 162 584 | 5 696 588 | 35 465 996 |
| Total | 131 532 061 | 27 561 095 | 103 970 966 |
| as at 30 June 2009 | | | |
| Service debtors | | | |
| Rates | 22 390 308.00 | 2 268 825.00 | 20 121 483 |
| Electricity | 10 261 322.00 | 1 039 787.00 | 9 221 535 |
| Water | 22 689 284.00 | 2 299 121.00 | 20 390 163 |
| Sewerage | 9 621 839.00 | 974 987.00 | 8 646 852 |
| Refuse | 10 058 125.00 | 1 019 197.00 | 9 038 928 |
| Other Services | 32 144 276.00 | 3 257 201.00 | 28 887 075 |
| Total | 107 165 154 | 10 859 118 | 96 306 036 |
| <u>Rates: Ageing</u> | | | |
| Current (0 – 30 days) | | 1 930 280 | 2 932 904 |
| 31 - 60 Days | | 1 144 623 | 2 829 520 |
| 61 - 90 Days | | 990 445 | 1 957 218 |
| 91 - 120 Days | | 992 165 | 1 823 442 |
| 121 - 365 + Days | | 19 414 129 | 12 847 224 |
| Total | | 24 471 641 | 22 390 308 |
| <u>Electricity, Water and Sewerage: Ageing</u> | | | |
| Current (0 – 30 days) | | 12 738 445 | 10 976 127 |
| 31 - 60 Days | | 5 400 713 | 4 785 426 |
| 61 - 90 Days | | 3 463 520 | 3 008 825 |
| 91 - 120 Days | | 3 091 724 | 2 599 662 |
| 121 - 365 + Days | | 82 366 019 | 63 404 806 |
| Total | | 107 060 420 | 84 774 846 |

MAKHADO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note 2010 2009

2 Reconciliation of the doubtful debt provision

| | | |
|--|-------------------|------------------|
| Balance at beginning of the year | 8 343 441 | 4 749 608 |
| Contributions to provision | 19 217 656 | 6 109 511 |
| Doubtful debts written off against provision | - | (2 515 678) |
| Reversal of provision | - | - |
| Balance at end of year | 27 561 097 | 8 343 441 |

3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

| | | |
|--|------------------|------------------|
| Unauthorized expenditure (see Note 34) | - | - |
| Other debtors | 5 294 969 | 5 412 115 |
| Prepayments (if not material) | - | - |
| Total Other Debtors | 5 294 969 | 5 412 115 |

4 INVENTORIES

| | | |
|--|---------------------|---------------------|
| Opening balance of inventories: | 7 139 844 | 10 948 643 |
| Consumable stores - at cost | 7 139 844 | 10 948 643 |
| Water | - | - |
| Additions: | 10 697 305 | 14 795 724 |
| Consumable stores | 10 583 021 | 14 795 724 |
| Water | 114 284 | - |
| Issued (expensed): | (12 246 603) | (18 604 523) |
| Consumable stores | (12 246 603) | (18 604 523) |
| Water | - | - |
| Write-down / (reversal of write-down) to Net Replacement Value (NRV) or Net Replacement Cost (NRC): | (115 549) | - |
| Consumable stores | - | - |
| Closing balance of inventories: | 5 474 997 | 7 139 844 |
| Consumable stores | 5 360 714 | 5 844 |
| Water | 114 284 | - |

6 INVESTMENTS

| | | |
|------------------|---|---|
| Deposits | - | - |
| Call investments | - | - |
| | - | - |

7 NON-CURRENT RECEIVABLES





| | | |
|---|----------|----------|
| Car loans | 31 462 | 97 614 |
| | 31 462 | 97 614 |
| Less : Current portion transferred to current receivables | (31 462) | (97 614) |
| Car loans | (31 462) | (97 614) |
| Other non-current receivables | - | - |
| Total | - | - |

CAR LOANS

Senior staff were entitled to car loans up to 30 June 2005 which attract interest at 8% per annum and are repayable over a maximum period of 6 years. These loans are repayable in the year 2010

MAKHADO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

8 PROPERTY, PLANT AND EQUIPMENT

| | Land | Buildings | Infrastructure | Community | Heritage | Other Assets | Finance lease assets | Total |
|--|----------------|---|--|---|----------|---|----------------------|--------------------|
| 8.1 Reconciliation of Carrying Value | | | | | | | | |
| as at 1 July 2009 | 919 154 | 29 649 755 | 601 857 580 | 4 261 252 | - | 7 002 995 | - | 643 690 736 |
| Cost/Revaluation | 919 154 | 35 755 436 | 808 049 478 | 5 032 161 | - | 28 778 042 | - | 878 534 271 |
| Correction of error (note 32) | | | | | | | | - |
| Change in accounting policy (note 33) | | | | | | | | - |
| Accumulated depreciation and impairment losses | - | (6 105 681) | (206 191 898) | (770 909) | - | (21 775 047) | - | (234 843 536) |
| Acquisitions | - | 174 229 | - | - | - | 4 596 704 | - | 4 770 933 |
| Capital under Construction | - | 6 492 328 | 35 906 471 | 967 605 | - | 29 106 | - | 43 395 509 |
| Revaluation | - | - | 265 200 415 | - | - | - | - | 265 200 415 |
| Depreciation | - | (1 231 448) | (42 263 972) | (173 519) | - | (2 358 227) | - | (46 027 165) |
| Carrying value of disposals | - | - | - | - | - | - | - | - |
| Cost/Revaluation | - | - | - | - | - | - | - | - |
| Accumulated depreciation and impairment losses | - | - | - | - | - | - | - | - |
| Impairment loss/Reversal of impairment loss | - | - | - | - | - | - | - | - |
| as at 30 June 2010 | 919 154 | 35 084 863 | 860 700 494 | 5 055 338 | - | 9 270 578 | - | 911 030 427 |
| Cost/Revaluation | 919 154 | 42 421 992 | 1 109 156 363 | 5 999 766 | - | 33 403 852 | - | 1 191 901 128 |
| Accumulated depreciation and impairment losses | - | (7 337 129) | (248 455 870) | (944 428) | - | (24 133 274) | - | (280 870 701) |
| | |  J.4.1 |  J.4.1 |  J.4.1 | |  J.4.1 | | |

The property, plant and equipment were revalued by an independent sworn appraiser, on 30 June 2010, at market value (This relate to infrastructure component). The fair values was determined with reference to market prices.

If the property, plant and equipment (Infrastructure component) were carried at cost less accumulated depreciation the carrying amount would have amounted to R 731 554 531

The revaluation reserve, will be realised as and when the asset is utilised.

The valuation was performed by Nemurangoni Consulting Engineers (2003/053541/23)

Refer to Appendix B for more detail on property, plant and equipment

MAKHADO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

| 8.2 Reconciliation of Carrying Value | Land | Buildings | Infrastructure | Community | Heritage | Other Assets | Finance lease assets | Total |
|--|----------------|-------------------|--------------------|------------------|----------|------------------|----------------------|--------------------|
| as at 1 July 2008 | 919 154 | 23 120 436 | 578 181 416 | 2 670 104 | - | 2 007 909 | - | 606 899 019 |
| Cost/Revaluation | 919 154 | 28 433 291 | 745 512 564 | 3 323 059 | - | 23 049 109 | - | 801 237 177 |
| Accumulated depreciation and impairment losses | - | (5 312 855) | (167 331 148) | (652 955) | - | (21 041 200) | - | (194 338 158) |
| Acquisitions | - | 7 322 145 | 18 969 472 | - | - | 5 569 050 | - | 31 860 667 |
| Capital under Construction | - | - | 43 567 443 | 1 709 102 | - | 159 883 | - | 45 436 428 |
| Depreciation | - | (792 826) | (38 860 750) | (117 954) | - | (733 847) | - | (40 505 377) |
| Carrying value of disposals | - | - | - | - | - | - | - | - |
| Cost/Revaluation | - | - | - | - | - | - | - | - |
| Accumulated depreciation and impairment losses | - | - | - | - | - | - | - | - |
| Impairment loss/Reversal of impairment loss | - | - | - | - | - | - | - | - |
| Transfers | - | - | - | - | - | - | - | - |
| as at 30 June 2009 | 919 154 | 29 649 755 | 601 857 581 | 4 261 252 | - | 7 002 995 | - | 643 690 737 |
| Cost/Revaluation | 919 154 | 35 755 436 | 808 049 479 | 5 032 161 | - | 28 778 042 | - | 878 534 272 |
| Accumulated depreciation and impairment losses | - | (6 105 681) | (206 191 898) | (770 909) | - | (21 775 047) | - | (234 843 535) |
| | 919 154 | 35 755 436 | 808 049 478 | 5 032 161 | - | 28 778 042 | - | |
| | - | - | 0 | - | - | - | - | |

Refer to Appendix B for more detail on property, plant and equipment

35 755 436

MAKHADO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

| | Note | 2010 | 2009 |
|--|------|-------------------|-------------------|
| 9 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS | | | |
| Trade creditors | | 31 026 423 | 19 490 370 |
| Retentions | | 2 243 961 | 3 275 280 |
| Other creditors | | 18 445 924 | 35 532 620 |
| Total creditors | | 51 716 308 | 58 298 270 |

The fair value of trade and other payables approximates their carrying amounts.

10 CONSUMER DEPOSITS

| | | |
|--|------------------|------------------|
| Electricity and Water | 7 945 523 | 7 290 679 |
| Total consumer deposits | 7 945 523 | 7 290 679 |
| Guarantees held in lieu of consumer deposits | 1 210 260 | 1 197 632 |

11 VAT PAYABLE

| | | |
|-------------|------------|---|
| VAT payable | 13 851 244 | - |
|-------------|------------|---|

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

11 VAT RECEIVABLE

| | | |
|----------------|-----------|------------|
| VAT receivable | 4 512 391 | 10 953 554 |
|----------------|-----------|------------|

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

12 PROVISIONS

| | | |
|-------------------------|-------------------|-------------------|
| Annual Bonus | 3 873 421 | - |
| Performance bonus | 321 393 | 281 445 |
| Provision for leave | 12 923 025 | 10 712 736 |
| Total Provisions | 17 117 839 | 10 994 181 |

Performance bonuses are paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date and no present obligation exist.

The balance of the performance bonus provisions relate to amounts not yet paid to certain employees due to disputes over the assessment process. Also see note 54.

The movement in current provisions are reconciled as follows: -

| | Annual Bonus | Performance Bonus | Provision for leave |
|----------------------------|------------------|-------------------|---------------------|
| as at 1 July 2009 | - | 281 445 | 10 712 736 |
| Contributions to provision | 7 458 092 | 39 948 | - |
| Expenditure incurred | - | - | 2 210 289 |
| as at 30 June 2010 | 7 458 092 | 321 393 | 12 923 025 |
| as at 1 July 2008 | - | 281 445 | 7 689 731 |
| Expenditure incurred | 6961531 | - | 3 023 005 |
| as at 30 June 2009 | 6 961 531 | 281 445 | 10 712 736 |

MAKHADO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note

2010

2009

13 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

13.1 Unspent Conditional Grants from other spheres of Government

| | | |
|-------------------------------------|---------------|------------|
| PHP Grant | 531 574.45 | 2 773 364 |
| Sport, Arts and Culture | | 356 369 |
| District Grant | 356 368.86 | 0 |
| Municipal Infrastructure Grant | 26 557 422.05 | 4 054 469 |
| Municipal Systems Improvement Grant | | 201 390 |
| INEP | 3 609 043.29 | 3 635 481 |
| Finance Management Grant | 912 837.61 | 801 042 |
| DWAF Grant | 2 567 495.10 | 2 567 495 |
| Drought Relief Grant | 33 801.12 | 46 082 |
| VDM Electricity Grant | - | (995 097) |
| VDM.-graveyards-grant | 1 073 391.66 | 2 009 834 |
| VDM.- refuse removal truck | 56 418.42 | 56 418 |

Total Unspent Conditional Grants and Receipts

| | |
|-------------------|-------------------|
| 35 698 353 | 15 506 848 |
|-------------------|-------------------|

Non-current unspent conditional grants and receipts

-

Current portion of unspent conditional grants and receipts

35 698 353

15 506 848

See Note 21 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

14 BORROWINGS

Annuity Loans

| | |
|-------------------|-------------------|
| 14 318 441 | 16 237 477 |
| 14 318 441 | 16 237 477 |

Less : Current portion transferred to current liabilities

(1 446 185)

Local Registered Stock Loans

| | |
|-------------|-------------|
| - | - |
| (1 446 185) | (1 512 353) |

Annuity Loans

Total borrowings

| | |
|-------------------|-------------------|
| 12 872 256 | 14 725 124 |
|-------------------|-------------------|

Refer to Appendix A for more detail on borrowings.

15 NON-CURRENT PROVISIONS

Provision for rehabilitation of landfill sites

4 592 277

400 000

Total Non-Current Provisions

| | |
|------------------|----------------|
| 4 592 277 | 400 000 |
|------------------|----------------|

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at prime interest rate 10%, over an average estimated useful life of 3 years.

Rehabilitation cost is assumed to increase at inflation rate of 7.1%

The movement in the non-current provision is reconciled as follows: -

Provision for rehabilitation of landfill sites:

Balance at the beginning of year

(400 000)

Contributions to provision

(4 192 277)

Balance at the end of year

| | |
|--------------------|------------------|
| (4 592 277) | (400 000) |
|--------------------|------------------|

Provision for long-service awards:

Balance at the beginning of year

| | |
|---|---|
| - | - |
|---|---|

Balance at the end of year

| | |
|---|---|
| - | - |
|---|---|

MAKHADO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

| | Note | 2010 | 2009 |
|---|------|----------------------|----------------------|
| 16 PROPERTY RATES | | | |
| Actual | | | |
| Residential | | 615 160 | 843 512 |
| Commercial | | 13 799 598 | 21 925 727 |
| State | | 2 419 299 | 1 985 034 |
| Total property rates | | 16 834 057 | 24 754 273 |
| Property rates - penalties imposed and collection charges | | - | - |
| Total | | 16 834 057 | 24 754 273 |
| Valuations | | | |
| Residential | | 4 409 085 698 | 6 650 464 817 |
| Commercial | | 1 131 823 386 | |
| State | | 1 933 044 700 | 602 096 400 |
| Municipal | | 327 096 200 | 432 953 928 |
| Total Property Valuations | | 7 801 049 984 | 7 685 515 145 |
| <p>The last valuation came into effect on 1 July 2008. A general rate of R0.0103 (2007 - R0.092) is applied to property valuations (land value only) to determine assessment rates. Rebates are granted to residential and state property owners. Rates are levied on a monthly basis on property owners.</p> | | | |
| 17 SERVICE CHARGES | | | |
| Sale of electricity | | 154 144 597 | 120 279 562 |
| Sale of water | | 15 791 722 | 17 677 574 |
| Refuse removal | | 6 694 518 | 6 212 734 |
| Sewerage and sanitation charges | | 5 517 208 | 4 726 312 |
| Total Service Charges | | 182 148 045 | 148 896 182 |
| 18 RENTAL OF FACILITIES AND EQUIPMENT | | | |
| Rental of facilities | | 160 776 | 387 556 |
| Rental of equipment | | 35 717 | - |
| Other rentals | | 23 809 | - |
| Total rentals | | 220 302 | 387 556 |
| 19 INTEREST EARNED - EXTERNAL INVESTMENTS | | | |
| Bank | | 2 934 903 | 5 230 136 |
| Total interest | | 2 934 903 | 5 230 136 |
| 20 INTEREST EARNED - OUTSTANDING RECEIVABLES | | | |
| Interest on Receivables | | 9 593 784 | 3 033 654 |
| Total interest | | 9 593 784 | 3 033 654 |
| 21 GOVERNMENT GRANTS AND SUBSIDIES | | | |
| Equitable share | | 144 862 641 | 111 645 941 |
| MIG Grant | | 31 115 046 | 28 743 147 |
| Other Government Grants and Subsidies | | 4 791 546 | 26 485 684 |
| Total Government Grant and Subsidies | | 180 769 233 | 166 874 772 |

21.1 Equitable Share

In terms of the Constitution, the grant is also used to subsidise the provision of free basic services to indigent community members. Total subsidy for the year is R144 862 641

MAKHADO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

| | Note | 2010 | 2009 |
|---|------|-------------------|------------------|
| 21.2 MIG Grant | | | |
| Balance unspent at beginning of year | | 4 054 469 | 7 581 616 |
| Current year receipts | | 53 618 000 | 25 216 000 |
| Conditions met - transferred to revenue | | (31 115 046) | (28 743 147) |
| Conditions still to be met - remain liabilities (see note 13) | | 26 557 423 | 4 054 469 |
| <p>The grant was utilised for the appointment of the financial interns and assist with the implementation of the MFMA. The conditions of the grant were met. No funds have been withheld.</p> | | | |
| 21.3 Other Government Grants and Subsidies | | | |
| PHP | | | |
| Balance unspent at beginning of year | | 2 773 364 | 8 009 991 |
| Current year receipts | | - | 890 417 |
| Conditions met - transferred to revenue | | (2 241 789) | (6 127 044) |
| Conditions still to be met - remain liabilities (see note 13) | | 531 575 | 2 773 364 |
| Sport Arts and Culture | | | |
| Balance unspent at beginning of year | | 356 369 | 398 584 |
| Current year receipts | | - | - |
| Conditions met - transferred to revenue | | - | (42 215) |
| Conditions still to be met - remain liabilities (see note 13) | | 356 369 | 356 369 |
| MSIG | | | |
| Balance unspent at beginning of year | | 201 390.00 | - |
| Current year receipts | | 735 000.00 | 735 000 |
| Conditions met - transferred to revenue | | (936 390.00) | (533 610) |
| Conditions still to be met - remain liabilities (see note 13) | | - | 201 390 |
| INEP | | | |
| Balance unspent at beginning of year | | 3 635 481.00 | 2 781 103 |
| Current year receipts | | - | 1 743 000 |
| Conditions met - transferred to revenue | | (26 438.08) | (888 622) |
| Conditions still to be met - remain liabilities (see note 13) | | 3 609 043 | 3 635 481 |
| FMG | | | |
| Balance unspent at beginning of year | | 801 042.00 | 663 900 |
| Current year receipts | | 750 000.00 | 500 000 |
| Conditions met - transferred to revenue | | (638 205.26) | (362 858) |
| Conditions still to be met - remain liabilities (see note 13) | | 912 837 | 801 042 |
| DWAF GRANT | | | |
| Balance unspent at beginning of year | | 2 567 495.10 | 2 837 320 |
| Current year receipts | | - | - |
| Conditions met - transferred to revenue | | - | (269 825) |
| Conditions still to be met - remain liabilities (see note 13) | | 2 567 495 | 2 567 495 |
| DROUGHT RELIEF | | | |
| Balance unspent at beginning of year | | 46 082.00 | 404 690 |
| Current year receipts | | - | - |
| Conditions met - transferred to revenue | | (12 280.70) | (358 609) |
| Conditions still to be met - remain liabilities (see note 13) | | 33 801 | 46 082 |
| VDM-ELECTRICITY GRANTS | | | |
| Balance unspent at beginning of year | | (995 096.59) | 8 214 221 |
| Current year receipts | | 995 096.59 | 8 000 000 |
| Conditions met - transferred to revenue | | - | (17 209 318) |
| Conditions still to be met - remain liabilities (see note 13) | | - | (995 097) |
| VDM-GRAVEYARDS-GRANT | | | |
| Balance unspent at beginning of year | | 2 009 834.00 | - |
| Current year receipts | | - | 2 009 834 |
| Conditions met - transferred to revenue | | (936 443.00) | - |
| Conditions still to be met - remain liabilities (see note 13) | | 1 073 391 | 2 009 834 |

MAKHADO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

| | Note | 2010 | 2009 |
|---|-------------------------|-------------------------|-----------------------------|
| VDM- REFUSE REMOVAL TRUCK | | | |
| Balance unspent at beginning of year | | - | - |
| Current year receipts | | 56 418.42 | 750 000 |
| Conditions met - transferred to revenue | | - | (693 582) |
| Conditions still to be met - remain liabilities (see note 13) | | 56 418 | 56 418 |
| 21.4 Changes in levels of government grants | | | |
| Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years. | | | |
| 22 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS | | | |
| 22.1 Other income | | 7 556 325 | 11 210 411 |
| Recovery of unauthorised, irregular, fruitless and wasteful expenditure | | - | - |
| Total Other Income | | 7 556 325 | 11 210 411 |
| 22.2 Public contributions and donations | | 7 556 325 | 11 210 411 |
| Total public contributions and donations | | 7 556 325 | 11 210 411 |
| Reconciliation of conditional contributions | | | |
| Balance unspent at beginning of year | | - | - |
| Current year receipts | | - | - |
| Conditions met - transferred to revenue | | - | - |
| Conditions still to be met - remain liabilities (see note 13) | | - | - |
| 23 EMPLOYEE RELATED COSTS | | | |
| Employee related costs - Salaries and Wages | | 92 417 270 | 76 682 095 |
| Employee related costs - Contributions for UIF, pensions and medical aids | | 26 824 858 | 21 690 076 |
| Travel, motor car, accommodation, subsistence and other allowances | | 3 842 335 | 2 945 700 |
| Housing benefits and allowances | | 238 417 | 272 964 |
| Overtime payments | | 14 233 843 | 10 081 280 |
| Performance and other bonuses | | 10 834 952 | - |
| Other employee related costs | | 3 359 066 | 5 975 348 |
| Total Employee Related Costs | | 151 750 741 | 117 647 463 |
| There were no advances to employees / Loans to employees are set out in note 3. | | | |
| Remuneration of the Municipal Manager | | | |
| Annual Remuneration | | 142 500 | 451 133 |
| Performance- and other bonuses | | - | 75 748 |
| Travel, motor car, accommodation, subsistence and other allowances | | 85 191 | 201 366 |
| Contributions to UIF, Medical and Pension Funds | | 19 966 | 95 464 |
| Total | | 247 657 | 823 711 |
| Remuneration of the Chief Finance Officer | | | |
| Annual Remuneration | | 442 301 | 488 451 |
| Performance- and other bonuses | | - | - |
| Travel, motor car, accommodation, subsistence and other allowances | | 319 025 | 174 769 |
| Contributions to UIF, Medical and Pension Funds | | 94 711 | 79 425 |
| Total | | 856 037 | 742 645 |
| Remuneration of Individual Executive Directors | | | |
| | Technical Services R | Corporate Services R | Community Services R |
| 2010 | | | |
| Annual Remuneration | 308 944 | 337 307 | 407 356 |
| Performance- and other bonuses | - | - | - |
| Travel, motor car, accommodation, subsistence and other allowances | 152 773 | 289 238 | 232 096 |
| Contributions to UIF, Medical and Pension Funds | 65 289 | 70 562 | 56 675 |
| Total | 527 005 | 697 106 | 696 127 |
| | | | Planning & Development R |
| 2010 | | | |
| Annual Remuneration | | | 400 888 |
| Performance- and other bonuses | | | - |
| Travel, motor car, accommodation, subsistence and other allowances | | | 215 651 |
| Contributions to UIF, Medical and Pension Funds | | | 51 608 |
| Total | | | 668 148 |

MAKHADO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

| | Note | 2010 | 2009 |
|--|-------------------------|-------------------------|-------------------------|
| | Technical Services R | Corporate Services R | Community Services R |
| 2009 | | | |
| Annual Remuneration | 338 682 | - | 369 221 |
| Performance- and other bonuses | - | - | - |
| Travel, motor car, accommodation, subsistence and other allowances | 118 528 | - | 177 350 |
| Contributions to UIF, Medical and Pension Funds | 53 755 | - | 47 716 |
| Total | 510 965 | - | 594 287 |
| 24 REMUNERATION OF COUNCILLORS | | | |
| Mayor | | 457 456 | 554 559 |
| Deputy Mayor | | - | - |
| Speaker | | 477 003 | 431 233 |
| Executive Committee Members | | - | 2 787 471 |
| Councillors | | 10 904 628 | 10 228 983 |
| Councillors' pension and medical aid contributions | | - | - |
| Councillors' allowances | | 3 760 827 | 441 790 |
| Total Councillors' Remuneration | | 15 599 914 | 14 444 036 |
| In-kind Benefits | | | |
| The Mayor, Speaker, Chief whip and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. | | | |
| The Mayor is entitled to stay at the mayoral residence owned by the Council at no cost. The Mayor has use of the Council owned vehicle for official duties. | | | |
| 25 DEPRECIATION AND AMORTISATION EXPENSE | | | |
| Property, plant and equipment | | 46 027 164 | 48 805 263 |
| Intangible assets | | - | - |
| Investment property carried at cost | | - | - |
| Biological assets carried at cost | | - | - |
| Total Depreciation and Amortisation | | 46 027 164 | 48 805 263 |
| 26 FINANCE COSTS | | | |
| Borrowings | | 1 602 303 | 1 327 130 |
| Consumer deposits | | - | - |
| Bank overdrafts | | - | - |
| Total Finance Costs | | 1 602 303 | 1 327 130 |
| 27 BULK PURCHASES | | | |
| Electricity | | 86 586 264 | 67 257 030 |
| Water | | 1 202 130 | 8 677 997 |
| Total Bulk Purchases | | 87 788 394 | 75 935 027 |

MAKHADO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

| | Note | 2010 | 2009 |
|--|-------------------|-------------------|-------------------|
| 28 GENERAL EXPENSES | | | |
| Included in general expenses are the following:- | | | |
| Advertising | | 391 593 | 190 918 |
| Audit fees | | 2 898 918 | 1 288 873 |
| Bank charges | | 458 772 | 78 038 |
| Debt collection commission | | 213 305 | 39 597 |
| Departmental consumption | | 5 486 568 | 72 414 |
| Inventory write-off | | 115 549 | |
| Entertainment | | 6 261 | 5 686 |
| Fuel and oil | | 7 409 849 | 4 024 554 |
| Insurance | | 1 077 841 | 949 648 |
| Legal expenses | | 1 167 166 | 394 385 |
| Licence fees - vehicles | | 258 082 | 134 273 |
| Membership fees | | 910 733 | 3 308 |
| Parking | | - | 241 243 |
| Postage | | 673 116 | 885 636 |
| Printing and stationery | | 2 047 495 | 581 948 |
| Security costs | | 8 033 981 | 3 544 708 |
| Sewerage treatment costs | | 7 949 | 1 351 |
| Skills development levies | | 1 183 999 | 511 828 |
| Stocks and material | | 1 335 200 | 790 749 |
| Subscription & publication | | 1 702 665 | 513 309 |
| Telephone cost | | 1 631 642 | 574 553 |
| Training | | 1 315 010 | 751 552 |
| Transport claims | | 182 157 | 102 601 |
| Travel and subsistence | | 1 156 782 | 712 609 |
| Uniforms & overalls | | 989 809 | 192 502 |
| Non - asset items | | 6 304 606 | - |
| Stortingsterrein/dumping site | | 4 192 277 | 400 000 |
| Elect departmental | | 4 116 309 | - |
| Operating lease: vehicles | | 11 319 010 | - |
| Indigent policy | | 5 493 247 | - |
| Other | | 24 077 116 | 29 297 447 |
| | | 96 157 008 | 46 283 730 |
| 29 CASH GENERATED BY OPERATIONS | | | 10 994 181 |
| Surplus/(deficit) for the year | (26 507 622) | | (7 400 348) |
| Adjustment for:- | | | 38 465 341 |
| Depreciation and amortisation | 46 027 164 | | 48 805 263 |
| Provision for doubtful debts | 19 217 656 | | 3 593 833 |
| Contribution to provisions - non-current | 4 192 277 | | 400 000 |
| Contribution to provisions - current | 6 123 685 | | - |
| Operating surplus before working capital changes: | 49 053 160 | | 91 264 437 |
| (Increase)/decrease in inventories | 1 664 847 | | 3 808 799 |
| (Increase)/decrease in trade receivables | (27 107 701) | | (44 308 011) |
| (Increase)/decrease in other receivables | 117 146 | | (1 616 174) |
| (Increase)/decrease in VAT receivable | 6 441 163 | | (10 953 554) |
| (Increase)/decrease in Shortterm receivables-Motor loans | 193 441 | | 109 430 |
| Increase/(decrease) in conditional grants and receipts | 20 191 505 | | (15 438 839) |
| Increase/(decrease) in trade payables | (6 581 962) | | 31 424 234 |
| Increase/(decrease) in VAT payable | 13 851 244 | | - |
| Cash generated by/(utilised in) operations | 57 822 842 | | 54 290 322 |

MAKHADO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

| | Note | 2010 | 2009 |
|--|------|-------------------|-------------------|
| 30 CASH AND CASH EQUIVALENTS | | | |
| Cash and cash equivalents included in the cash flow statement comprise the following: | | | |
| Bank balances and cash | | 38 880 956 | 33 946 900 |
| Bank overdrafts | | (19 382 601) | (22 840 753) |
| Net cash and cash equivalents (net of bank overdrafts) | | 19 498 355 | 11 106 147 |
| Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date. | | | |
| 31 CORRECTION OF ERROR | | | |
| During the year ended 30 June 2009, valuation roll was incorrectly capitalised and assets were previously removed from the asset register without council resolution, during the current year asset to the value of R 6 381 557 were verified and included back to the PPE during the year under review. | | | |
| The comparative amount has been restated as follows: | | | |
| Difference between the asset register and AFS (770 125 596 -772 604 043) | | | 2 478 447 |
| Valuation roll | | | 2 234 345 |
| Property, plant and equipment | | | 6 381 557 |
| Net effect on surplus/(deficit) for the year | | - | 11 094 349 |
| Assets | | - | |
| Liabilities | | - | |
| Net effect on Statement of Financial Position | | - | - |
| Net effect on Accumulated surplus opening balance | | | 11 094 349 |
| 31.2 The municipality did not depreciate certain, the following assets in the prior year, Building, Electricity supply and Reticulation and Roads. Consequently the correction was done from on the opening balance of accumulated surplus and Property, Plant and Equipment. The effect of the correction of error is as follows: | | | |
| Decrease in accumulated surplus | | | 1 255 247 |
| Depreciation in Buildings | | | 196 541 |
| Depreciation in Electricity supply and reticulation | | | 778 386 |
| Depreciation on roads | | - | 2 230 174 |
| Increase in accumulated depreciation | | - | 2 230 174 |
| Decrease in Property, Plant and Equipment | | - | 2 230 174 |
| 31.3 In terms of Section 84 (1) of the Municipal Structures Act (Act 117 of 1998), District municipalities are assigned the powers and functions to provide, amongst others portable water supply systems within their district. The assignment of powers and functions to district municipality means that the district municipality is the Water Service Authority and legally own the water service assets. From accounting perspective, this means that the district municipality should reflect all water related transactions in their books, as results from all the years the water assets were accounted in the books of Makhado Municipality. The impact of the transfer of water related assets to Vhembe District Municipality is as follows: | | | |
| Decrease in accumulated surplus | | | 179 101 666 |
| Cost of the water related assets | | - | (57 931 556) |
| Accumulated depreciation thereon | | - | 121 170 110 |
| Net effect | | - | 121 170 110 |
| Decrease in Property, Plant and Equipment | | - | 121 170 110 |
| Decrease in Accumulated depreciation | | - | 121 170 110 |
| 31.4 The vehicles of Mr Ndwambi MT, which was bought under the municipality vehicle scheme, was repossessed from Mr Ndwambi MT. The said vehicle was never depreciated and after applying depreciation it will be fully depreciated.. The impact on this error is as follows: | | | |
| Decrease in accumulated surplus | | | 127 289 |
| Depreciation on vehicle | | - | 127 289 |
| Decrease in long term receivables | | - | 127 289 |
| Increase in Accumulated Depreciation | | - | 127 289 |
| 31.5 The Municipality had constructed electricity infrastructure assets in an Eskom business trade areas. Upon the completion, those assets were handed over to Eskom | | | |
| Cost related to the assets | | - | 11 974 975 |
| Accumulated Depreciation related to the assets | | - | (80 396) |
| Net impact to the Accumulated surplus | | - | 11 894 578 |
| 31.5 The Municipality had accounted for land used as landfill site as other assets | | | |
| Land | | - | 59 017 |
| Other assets | | - | (59 017) |
| Net impact to the Accumulated surplus | | - | - |
| Current reported accumulated after adjusting for errors | | | 627 513 248 |
| Error adjustment | | | 146 516 500 |
| Previously reported accumulated surplus before errors adjustment | | - | 774 029 748 |

MAKHADO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

| | Note | 2010 | 2009 |
|---|------|------------------|------------------|
| UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE | | | |
| 32 DISALLOWED | | | |
| 32.1 Unauthorised expenditure | | | |
| Reconciliation of unauthorised expenditure | | | |
| Opening balance | | 8 677 997 | - |
| Unauthorised expenditure current year | | 1 202 130 | 8 677 997 |
| Approved by Council or condoned | | - | - |
| Transfer to receivables for recovery | | - | - |
| Unauthorised expenditure awaiting authorisation | | <u>9 880 127</u> | <u>8 677 997</u> |
| This relate to water purchase and sales, which should have been accounted for in the district municipality books, as results of non compliant with Section 84 (1) of the Municipal Structures Act by performing the fuctions of the district municipality without obtaining the required approval from the minister as stated in section 84 (3) of the act. | | | |
| 32.2 Fruitless and wasteful expenditure | | | |
| Reconciliation of fruitless and wasteful expenditure | | | |
| Opening balance - | | - | - |
| Fruitless and wasteful expenditure current year | | - | - |
| Condoned or written off by Council | | - | - |
| To be recovered – contingent asset | | - | - |
| Fruitless and wasteful expenditure awaiting condonement | | <u>-</u> | <u>-</u> |
| Fruitless and wasteful expenditure relates to the fees dispute with the Auditor General, and resulted in the interest being charged on the Overdue account. | | | |
| 32.3 Irregular expenditure | | | |
| Reconciliation of irregular expenditure | | | |
| Opening balance | | - | - |
| Irregular expenditure current year | | - | - |
| Condoned or written off by Council | | - | - |
| Transfer to receivables for recovery – not condoned | | - | - |
| Irregular expenditure awaiting condonement | | <u>-</u> | <u>-</u> |
| ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE | | | |
| 33 MANAGEMENT ACT | | | |
| 33.1 Contributions to organised local government | | | |
| Opening balance | | - | 449 471 |
| Council subscriptions | | 897 110 | 449 471 |
| Amount paid - current | | (897 110) | (449 471) |
| Amount paid - previous years | | - | - |
| Balance unpaid (included in payables) | | <u>-</u> | <u>-</u> |
| 33.2 Audit fees | | | |
| Opening balance | | - | 1 652 096 |
| Current year audit fee | | 2 898 918 | 1 652 096 |
| Amount paid - current year | | (2 774 365) | (1 652 096) |
| Amount paid - previous years | | - | - |
| Balance unpaid (included in payables) | | <u>124 553</u> | <u>-</u> |
| 33.3 VAT | | | |
| VAT input receivables and VAT output payables are shown in note 11. All VAT returns have been submitted by the due date throughout the year. | | | |
| 33.4 PAYE and UIF | | | |
| Opening balance | | - | 13 589 094 |
| Current year payroll deductions | | 1 772 559 | 13 589 094 |
| Amount paid - current year | | (1 773 269) | (13 589 094) |
| Amount paid - previous years | | - | - |
| Balance unpaid (included in payables) | | <u>(710)</u> | <u>-</u> |
| The balance represents PAYE and UIF deducted from July 2009 to June 2010 | | | |
| 33.5 Pension and Medical Aid Deductions | | | |
| Opening balance | | - | 28 641 867 |
| Current year payroll deductions and Council Contributions | | 52 676 742 | 28 641 867 |
| Amount paid - current year | | (52 584 309) | (28 641 867) |
| Amount paid - previous years | | - | - |
| Balance unpaid (included in payables) | | <u>92 433</u> | <u>-</u> |
| The balance represents pension and medical aid contributions deducted from employees in the July 2009 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during June 2010. | | | |

MAKHADO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

| | Note | 2010 | 2009 |
|--|-----------------------------------|--------------------------------------|--------------------------------------|
| 33.6 Councillor's arrear consumer accounts | | | |
| The following Councillors had arrear accounts outstanding for more than 90 days as at: - | Total | Outstanding less than 90 days | Outstanding more than 90 days |
| as at 30 June 2010 | | | |
| Hlongwane F | 145 | 82 | 63 |
| Gundula AS | 166 | 166 | - |
| Nemalengeni PRJ | 83 | 83 | - |
| Mutavhatsindi FD | 128 | 128 | - |
| Maboho NK | 135 | 135 | - |
| Maboho NK | 222 | 222 | - |
| Bopape MB | 578 | 578 | - |
| Kennealy A | 706 | 706 | - |
| Mboyi MD | 1 595 | 392 | 1 204 |
| Maguga SD | 2 262 | 509 | 1 754 |
| Ndobeni NE | 4 085 | 4 085 | - |
| Mudau TJ | 5 946 | 794 | 5 152 |
| Makananise MM | 6 513 | 6 513 | - |
| Selepe MR | 10 899 | 5 365 | 5 533 |
| Total Councillor Arrear Consumer Accounts | 33 464 | 19 758 | 13 706 |
| as at 30 June 2009 | | | |
| Mboyi M D | 198 | - | 198 |
| Matamela NS | 36 | - | 36 |
| Makananise MM | 17 | 10 | 7 |
| Maguga SG | 4 791 | 4 259 | 532 |
| Gundula AS | 66 | - | 66 |
| Mudau MJ | 7 951 | 7 488 | 463 |
| Makhado MM | 350 | 206 | 144 |
| Baloyi RS | 65 | 20 | 45 |
| Total Councillor Arrear Consumer Accounts | 13 474 | 11 983 | 1 491 |
| During the year the following Councillors had arrear accounts outstanding for more than 90 days. | Highest Amount Outstanding | Ageing Days | |
| as at 30 June 2010 | | | |
| Makananise MM | 6 513 | 90 Days | |
| Selepe MR | 10 899 | 90 Days | |
| as at 30 June 2009 | | | |
| Maguga SG | 4 259 | 90 Days | |
| Mudau MJ | 7 488 | 90 Days | |

34 CAPITAL COMMITMENTS

34.1 Commitments in respect of capital expenditure

| | | |
|--|------------------|-------------------|
| - Approved and contracted for | 3 762 337 | 32 973 367 |
| Infrastructure-Roads | 1 237 215 | 22 966 383 |
| - Infrastructure -Roads | - | 8 931 259 |
| - Infrastructure - Electrical Supply | - | 357 702 |
| - Infrastructure - Water and Sanitation | - | - |
| Community | 79 898 | 597 768 |
| - Cemeteries | - | - |
| Heritage | - | - |
| Other-Land and Building | 2 445 224 | 120 255 |
| - Approved but not yet contracted for | - | - |
| Total | 3 762 337 | 32 973 367 |
| This expenditure will be financed from: | | |
| - External Loans | - | 5 641 097 |
| - Government Grants-(MIG) | 3 762 337 | 25 851 614 |
| - Own resources | - | 1 480 656 |
| | 3 762 337 | 32 973 367 |

MAKHADO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note 2010 2009

34.2 Operating leases

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Operating leases - lessee

| | | |
|---------------------------------------|-------------------|---|
| Within one year | 8 472 809 | |
| In the second to fifth year inclusive | 40 319 177 | |
| After five years | 46 076 629 | |
| Total | 94 868 615 | - |

Total future minimum sublease payment expected to be received under non-cancellable sublease

Operating Leases consists of the following:

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable

35 CONTINGENT LIABILITY

35.1 Claim for damages

127 853 -

The claim had been lodged against the Municipality by **TRICOR SIGNS** for the goods delivered which were not paid. The Cost of the goods is estimated at R120 000. The court date had not been set.

120 000

The claim was made against the Council for the deduction of R 7852.79 for non-performance made for the ALCAR security company. The offer to pay was made by the council on 23-02-2010 and the Trial date is set for february 2011.

7 853

35.2 Performance bonus dispute – Legal fees

None

36 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

Provision for rehabilitation of landfill sites (discount rate used was prime rates, and the assessed remaining useful life of the sites to be 3 years)
Provision for doubtful debts
Provision for bonuses and leave

37 RISK MANAGEMENT

37.1 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used.

Financial assets exposed to credit risk at year end were as follows:

| | | |
|--------------------------------------|--------------------|--------------------|
| Investment in ABSA and Standard Bank | 38 879 256 | 33 910 200 |
| Trade and other receivables | 103 970 966 | 96 306 036 |
| | 142 850 222 | 130 216 236 |

These balances represent the maximum exposure to credit risk.

MAKHADO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note 2010 2009

37.2 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.
Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | | |
|--------------------------|-------------------|-------------------|
| Borrowings | 14 318 441 | 16 237 478 |
| Trade and other payables | 59 080 598 | 58 296 270 |
| | 73 399 039 | 74 535 748 |

37.3 Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk.
Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

At year end, financial instruments exposed to interest rate risk were as follows:

| | | |
|--|----------------------|-------------------|
| - Development Bank of Southern Africa loan at an average rate of 7.47% | 7 428 820.18 | 8 054 297.00 |
| - INCA loan fixed at 11.47% | 6 889 621.05 | 8 183 181 |
| | 14 318 441.23 | 16 237 478 |

37.4 Other price risk

The municipality has no exposure on price risk

38 Write off of bank and cash reconciling items

Through council resolution number 6/1/1(04/09), the council approves the write-off of the reconciling items for both expenditure and income until the 30th of June 2009.

| | | |
|---|----------|--------------|
| Receipts not in cash book | - | 122 077 117 |
| Expenditure not in cash book | - | (24 013 891) |
| Outstanding cheques not in the bank statement | - | 1 553 856 |
| Deposits in transit on system not in bank | - | (99 617 081) |
| | - | - |

39 RELATED PARTIES

Members of key management

No other payments are paid outside contractual employment payments from employment. Refer to note 24 for remuneration.

Compensation to councillors and other key management

Payments to councillors are for allowances as gazetted. No other payments are made to councillors. Refer to note 25 for remuneration of councillors.

MAKHADO LOCAL MUNICIPALITY

APPENDIX A

SCHEDULE OF EXTERNAL LOANS






as at 30 June 2010

| EXTERNAL LOANS | Vote number | Amount | Balance at 30 June 2009 | Received during the period | Redeemed / written off during the period | Balance at 30 June 2010 | Current portion | Long term portion |
|-----------------------------|------------------------|-------------------|------------------------------------|---|---|------------------------------------|----------------------------|------------------------------|
| ANNUITY LOAN | | | | | | | | |
| INCA Loan @ 11.47% | 963/715002 | 12 656 600 | 8 183 181 | | 1 293 560 | 6 889 621 | 1 446 186 | 5 443 436 |
| DBSA Loan @ 9.86% 1 | 963/715003 | 7 000 000 | 6 609 297 | | 493 401 | 6 115 896 | | 6 115 896 |
| DBSA Loan @ 5% 2 | 963/715001 | 2 110 000 | 1 445 000 | | 132 076 | 1 312 924 | | 1 312 924 |
| TOTAL EXTERNAL LOANS | | 21 766 600 | 16 237 478 | | 1 919 037 | 14 318 441 | 1 446 186 | 12 872 256 |

MAKHADO LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2010

| | Cost / Revaluation | | | | | | Accumulated Depreciation | | | | | Transfers | Other movements | Carrying Value |
|-------------------------------|--------------------|------------|-------------|-----------|--------------------|-----------------|--------------------------|--------------|-----------|---|-----------------|-----------------------|-----------------|----------------|
| | Opening Balance | Additions | Revaluation | Disposals | Under Construction | Closing Balance | Opening Balance | Depreciation | Disposals | Impairment loss/Reversal of impairment loss | Closing Balance | | | |
| Land | | | | | | | | | | | | | | |
| Land | 860 137 | - | | - | | 860 137 | | | | - | - | - | - | 860 137 |
| Landfill Sites | 59 017 | - | | | - | 59 017 | - | - | - | - | - | - | - | 59 017 |
| Quarries | - | - | | - | - | - | - | - | - | - | - | - | - | - |
| | 919 154 | - | | - | - | 919 154 | - | - | - | - | - | - | - | 919 154 |
| Buildings | 35 755 436 | 174 229 | - | - | 6 492 328 | 42 421 992 | (6 105 681) | (1 231 448) | - | - | (7 337 129) | J.4.1 | - | 35 084 863 |
| Infrastructure | | | | | | | | | | | | | | |
| Drains | 1 069 168 | 513 402 | | - | 1 656 255 | 3 238 825 | (366 206) | (79 128) | - | - | (445 334) | - | - | 2 793 491 |
| Roads | 331 756 279 | 6 424 566 | 265 200 415 | - | 52 113 453 | 655 494 713 | (139 931 056) | (22 241 252) | - | - | (162 172 307) | - | - | 493 322 406 |
| Sewerage Mains & Purification | 23 321 149 | - | - | - | - | 23 321 149 | (8 486 960) | (1 207 326) | - | - | (9 694 286) | - | - | 13 626 863 |
| Electricity Mains | 408 335 439 | 14 475 636 | - | - | 4 290 601 | 427 101 677 | (57 407 676) | (18 736 265) | - | - | (76 143 941) | - | - | 350 957 736 |
| Electricity Peak Load Equip | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Water Mains & Purification | (0) | - | - | - | - | (0) | - | (1) | - | - | (1) | - | - | (1) |
| Reservoirs – Water | (0) | - | - | - | - | (0) | (0) | - | - | - | (0) | - | - | (1) |
| Water Meters | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Storm Water | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 764 482 035 | 21 413 604 | 265 200 415 | - | 58 060 310 | 1 109 156 363 | (206 191 898) | (42 263 972) | - | - | (248 455 870) | J.4.1 | - | 860 700 494 |
| Community Assets | | | | | | | | | | | | | | |
| Parks & Gardens | 37 263 | - | | - | - | 37 263 | - | - | - | - | - | - | - | 37 263 |
| Libraries | - | - | | - | - | - | - | - | - | - | - | - | - | - |
| Recreation Grounds | 630 053 | - | | - | - | 630 053 | (184 505) | (29 429) | - | - | (213 934) | - | - | 416 119 |
| Civic Buildings | - | - | | - | - | - | - | - | - | - | - | - | - | - |
| Stadiums | - | - | | - | - | - | - | - | - | - | - | - | - | - |
| Halls | 1 627 409 | - | | - | - | 1 627 409 | (405 023) | (54 247) | - | - | (459 270) | - | - | 1 168 139 |
| Theatre | - | - | | - | - | - | - | - | - | - | - | - | - | - |
| Swimming Pools | - | - | | - | - | - | - | - | - | - | - | - | - | - |
| Cemeteries | 1 028 334 | 1 709 102 | | - | 967 605 | 3 705 041 | (181 381) | (89 843) | - | - | (271 224) | - | - | 3 433 817 |
| | 3 323 059 | 1 709 102 | | - | 967 605 | 5 999 766 | (770 909) | (173 519) | - | - | (944 428) | J.4.1 | - | 5 055 338 |
| Heritage Assets | | | | | | | | | | | | | | |
| Historical Buildings | - | - | | - | - | - | - | - | - | - | - | - | - | - |
| Paintings & Artifacts | - | - | | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | | - | - | - | - | - | - | - | - | - | - | - |
| Total carried forward | 804 479 684 | 23 296 935 | | - | 65 520 242 | 1 158 497 276 | (213 068 489) | (43 668 939) | - | - | (256 737 427) | - | - | 901 759 849 |

MAKHADO LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2010

| | Cost / Revaluation | | | | | | Accumulated Depreciation | | | | | Transfers | Other movements | Carrying Value |
|--|--------------------|-------------------|--|-----------|--------------------|----------------------|--------------------------|---------------------|-----------|---|----------------------|---|-----------------|--------------------|
| | Opening Balance | Additions | | Disposals | Under Construction | Closing Balance | Opening Balance | Depreciation | Disposals | Impairment loss/Reversal of impairment loss | Closing Balance | | | |
| Total brought forward | 804 479 684 | 23 296 935 | | - | 65 520 242 | 1 158 497 276 | (213 068 489) | (43 668 939) | - | - | (256 737 427) | - | - | 901 759 849 |
| Other Assets | | | | | | | | | | | | | | |
| Office Equipment | 2 083 741 | 142 816 | | - | - | 2 226 557 | (1 950 399) | (97 892) | - | - | (2 048 291) |  J.4.1 | - | 178 266 |
| Furniture & Fittings | 1 663 488 | 1 104 243 | | - | - | 2 767 731 | (1 486 692) | (83 143) | - | - | (1 569 835) |  J.4.1 | - | 1 197 896 |
| Bins and Containers | - | - | | - | - | - | - | - | - | - | - | - | - | - |
| Emergency Equipment | - | - | | - | - | - | - | - | - | - | - | - | - | - |
| Motor vehicles | 11 999 197 | 110 901 | | - | - | 12 110 098 | (10 061 844) | (731 671) | - | - | (10 793 515) |  J.4.1 | - | 1 316 583 |
| Fire engines | - | - | | - | - | - | - | - | - | - | - | - | - | - |
| Refuse tankers | - | - | | - | - | - | - | - | - | - | - | - | - | - |
| Computer Equipment | 4 105 097 | 2 202 522 | | - | - | 6 307 619 | (2 813 968) | (811 470) | - | - | (3 625 438) |  J.4.1 | - | 2 682 181 |
| Computer Software (part of computer equipment) | - | - | | - | - | - | - | - | - | - | - | - | - | - |
| Other Assets | 8 766 636 | 1 196 106 | | - | 29 106 | 9 991 847 | (5 462 144) | (634 051) | - | - | (6 096 195) |  J.4.1 | - | 3 895 653 |
| | 28 618 159 | 4 756 587 | | - | 29 106 | 33 403 852 | (21 775 047) | (2 358 227) | - | - | (24 133 274) | - | - | 9 270 578 |
| Finance Lease Assets | | | | | | | | | | | | | | |
| Office Equipment | - | - | | - | - | - | - | - | - | - | - | - | - | - |
| Other Assets | - | - | | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | | - | - | - | - | - | - | - | - | - | - | - |
| Total | 833 097 843 | 28 053 522 | | - | 65 549 348 | 1 191 901 128 | (234 843 536) | (46 027 165) | - | - | (280 870 701) | - | - | 911 030 427 |

MAKHADO LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2009

| | Cost / Revaluation | | | | | Accumulated Depreciation | | | | | Transfers | Other movements | Carrying Value |
|-------------------------------|--------------------|------------|--|-----------|--------------------|--------------------------|-----------------|--------------|-----------|---|-----------------|-----------------|----------------|
| | Opening Balance | Additions | | Disposals | Under Construction | Closing Balance | Opening Balance | Depreciation | Disposals | Impairment loss/Reversal of impairment loss | Closing Balance | | |
| | R | R | | R | R | R | R | R | R | R | R | R | R |
| Land | | | | | | | | | | | | | |
| Land | 860 137 | - | | - | | 860 137 | | | | - | - | - | 860 137 |
| Landfill Sites | 59 017 | - | | - | - | 59 017 | - | - | - | - | - | - | 59 017 |
| Quarries | - | - | | - | - | - | - | - | - | - | - | - | - |
| | 919 154 | - | | - | - | 919 154 | - | - | - | - | - | - | 919 154 |
| Buildings | 28 433 291 | 7 322 145 | | - | - | 35 755 436 | (5 312 855) | (792 826) | - | - | (6 105 681) | - | 29 649 755 |
| Infrastructure | | | | | | | | | | | | | |
| Drains | (112 748) | 1 181 916 | | - | 513 402 | 1 582 570 | (312 748) | (53 458) | - | - | (366 206) | - | 1 216 364 |
| Roads | 326 717 584 | 5 038 695 | | - | 33 561 332 | 365 317 611 | (118 866 753) | (20 285 917) | - | - | (139 152 670) | 1 255 160 | 226 164 941 |
| Sewerage Mains & Purification | 23 321 149 | - | | - | - | 23 321 149 | (7 279 634) | (1 207 326) | - | - | (8 486 960) | - | 14 834 189 |
| Electricity Mains | 395 586 579 | 12 748 860 | | - | 9 492 709 | 417 828 149 | (39 977 482) | (17 314 049) | - | - | (57 291 531) | 2 419 424 | 360 536 618 |
| Electricity Peak Load Equip | - | - | | - | - | - | - | - | - | - | - | - | - |
| Water Mains & Purification | - | - | | - | - | - | - | - | - | - | - | - | - |
| Reservoirs – Water | - | - | | - | - | - | - | - | - | - | - | - | - |
| Water Meters | - | - | | - | - | - | - | - | - | - | - | - | - |
| Storm Water | - | - | | - | - | - | - | - | - | - | - | - | - |
| | 745 512 564 | 18 969 472 | | - | 43 567 443 | 808 049 478 | (166 436 617) | (38 860 750) | - | - | (205 297 367) | 3 674 585 | 602 752 111 |
| Community Assets | | | | | | | | | | | | | |
| Parks & Gardens | 37 263 | - | | - | - | 37 263 | - | - | - | - | - | - | 37 263 |
| Libraries | - | - | | - | - | - | - | - | - | - | - | - | - |
| Recreation Grounds | 630 053 | - | | - | - | 630 053 | (155 076) | (29 429) | - | - | (184 505) | - | 445 548 |
| Civic Buildings | - | - | | - | - | - | - | - | - | - | - | - | - |
| Stadiums | - | - | | - | - | - | - | - | - | - | - | - | - |
| Halls | 1 627 409 | - | | - | - | 1 627 409 | (350 776) | (54 247) | - | - | (405 023) | - | 1 222 386 |
| Theatre | - | - | | - | - | - | - | - | - | - | - | - | - |
| Swimming Pools | - | - | | - | - | - | - | - | - | - | - | - | - |
| Cemeteries | 1 028 334 | - | | - | 1 709 102 | 2 737 436 | (147 103) | (34 278) | - | - | (181 381) | - | 2 556 055 |
| | 3 323 059 | - | | - | 1 709 102 | 5 032 161 | (652 955) | (117 954) | - | - | (770 909) | - | 4 261 252 |
| Heritage Assets | | | | | | | | | | | | | |
| Historical Buildings | - | - | | - | - | - | - | - | - | - | - | - | - |
| Paintings & Artifacts | - | - | | - | - | - | - | - | - | - | - | - | - |
| | - | - | | - | - | - | - | - | - | - | - | - | - |
| Total carried forward | 778 188 068 | 26 291 617 | | - | 45 276 545 | 849 756 229 | (172 402 427) | (39 771 530) | - | - | (212 173 957) | 3 674 585 | 637 582 272 |

MAKHADO LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2009

| | Cost / Revaluation | | | | | | Accumulated Depreciation | | | | | Transfers | Other movements | Carrying Value |
|--|--------------------|-------------------|--|-----------|--------------------|--------------------|--------------------------|---------------------|-----------|---|----------------------|------------------|-----------------|--------------------|
| | Opening Balance | Additions | | Disposals | Under Construction | Closing Balance | Opening Balance | Depreciation | Disposals | Impairment loss/Reversal of impairment loss | Closing Balance | | | |
| Total brought forward | 778 188 068 | 26 291 617 | | - | 45 276 545 | 849 756 229 | (172 402 427) | (39 771 530) | - | - | (212 173 957) | 3 674 585 | - | 637 582 272 |
| Other Assets | | | | | | | | | | | | | | |
| Office Equipment | 1 988 465 | 95 276 | | - | - | 2 083 741 | (1 872 935) | (77 464) | - | - | (1 950 399) | - | - | 133 342 |
| Furniture & Fittings | (995 007) | 2 658 495 | | - | - | 1 663 488 | (1 390 307) | (96 385) | - | - | (1 486 692) | - | - | 176 796 |
| Bins and Containers | - | - | | - | - | - | - | - | - | - | - | - | - | - |
| Emergency Equipment | - | - | | - | - | - | - | - | - | - | - | - | - | - |
| Motor vehicles | 11 305 616 | 693 581 | | - | - | 11 999 197 | (9 930 924) | (130 920) | - | - | (10 061 844) | - | - | 1 937 353 |
| Fire engines | - | - | | - | - | - | - | - | - | - | - | - | - | - |
| Refuse tankers | - | - | | - | - | - | - | - | - | - | - | - | - | - |
| Computer Equipment | 3 166 350 | 938 747 | | - | - | 4 105 097 | (2 606 598) | (207 370) | - | - | (2 813 968) | - | - | 1 291 129 |
| Computer Software (part of computer equipment) | - | - | | - | - | - | - | - | - | - | - | - | - | - |
| Other Assets | 7 583 685 | 1 182 951 | | - | 159 883 | 8 926 519 | (5 240 436) | (221 708) | - | - | (5 462 144) | - | - | 3 464 375 |
| | 23 049 109 | 5 569 050 | | - | 159 883 | 28 778 042 | (21 041 200) | (733 847) | - | - | (21 775 047) | - | - | 7 002 995 |
| Finance Lease Assets | | | | | | | | | | | | | | |
| Office Equipment | - | - | | - | - | - | - | - | - | - | - | - | - | - |
| Other Assets | - | - | | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | | - | - | - | - | - | - | - | - | - | - | - |
| Total | 801 237 177 | 31 860 667 | | - | 45 436 428 | 878 534 271 | (193 443 627) | (40 505 377) | - | - | (233 949 004) | 3 674 585 | - | 644 585 267 |

MAKHADO LOCAL MUNICIPALITY
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
for the year ended 30 June: 2010

| | Cost / Revaluation | | | | | Accumulated Depreciation | | | | Carrying value |
|----------------------------|--------------------|-------------|--------------------|-----------|-----------------|--------------------------|------------|-----------|-------------|----------------|
| | Additions Plus | | Under Construction | Disposals | Closing Balance | Opening | | Closing | | |
| | Opening Balance | Revaluation | | | | Balance | Additions | Disposals | Balance | |
| PUBLIC WORKS (ROADS) | 5 694 873 | 128 195 | | - | 5 823 068 | 11 297 | 402 586 | - | 413 884 | 5 409 185 |
| AIRPORT | 350 488 | 155 201 | | - | 505 688 | 51 461 | 17 122 | - | 68 583 | 437 105 |
| CEMETARY | 816 235 | 51 892 | 967 605 | - | 1 835 731 | 121 742 | 26 437 | - | 148 179 | 1 687 552 |
| CLINIC GENERAL | 213 946 | 1 709 102 | | - | 1 923 048 | 139 654 | 3 805 | - | 143 458 | 1 779 590 |
| COMMUNITY SERVICES | 3 810 988 | 48 946 | | - | 3 859 933 | 901 895 | 160 543 | - | 1 062 438 | 2 797 495 |
| COMPUTER SERVICES | 522 086 | 12 409 | | - | 534 495 | 393 677 | 128 402 | - | 522 079 | 12 416 |
| CORPORATE | 3 022 118 | 32 754 | | - | 3 054 872 | 3 114 | 181 223 | - | 184 337 | 2 870 535 |
| CORPORATE SERVICES | 263 929 | 95 290 | | - | 359 219 | 230 810 | 24 575 | - | 255 386 | 103 834 |
| DIASTER | 9 135 | 260 557 | | - | 269 693 | 1 288 | 3 045 | - | 4 333 | 265 359 |
| DZANANI | 958 863 | 464 850 | 82 570 | - | 1 506 284 | 954 669 | 1 148 | - | 955 817 | 550 467 |
| DZANANI REGIONAL | 68 844 | - | 8 797 889 | - | 8 866 733 | 14 258 | 20 349 | - | 34 607 | 8 832 126 |
| DZANANI TESTING STATION | 216 884 | 28 675 | | - | 245 559 | 108 950 | 19 105 | - | 128 056 | 117 504 |
| DZANANI TRAFFIC | 226 724 | 199 200 | | - | 425 924 | 3 309 | 98 279 | - | 101 588 | 324 335 |
| ECONOMIC HOUSING | 1 335 557 | 86 906 | | - | 1 422 463 | 177 376 | 44 314 | - | 221 690 | 1 200 773 |
| ELECTRICITY | 30 358 920 | 2 500 | | - | 30 361 420 | 191 708 | 1 572 520 | - | 1 764 228 | 28 597 193 |
| ELECTRICITY ADMIN LOCAL | 324 428 047 | 82 664 | | - | 324 510 711 | 48 532 601 | 16 744 999 | - | 65 277 600 | 259 233 111 |
| ELECTRICITY WORKSHOP | 31 063 141 | 162 554 | | - | 31 225 695 | 2 523 125 | 225 817 | - | 2 748 942 | 28 476 753 |
| ENGINEERING | 846 930 | 88 716 | | - | 935 646 | 846 927 | - | - | 846 927 | 88 719 |
| FINANCE | 176 788 | 162 248 | | - | 339 036 | 24 221 | 58 929 | - | 83 151 | 255 886 |
| FINANCIAL SERVICES | 2 341 527 | 14 301 | | - | 2 355 828 | 1 863 753 | 90 492 | - | 1 954 245 | 401 583 |
| FIRE & RESCUE | 748 477 | 114 638 | | - | 863 115 | 174 792 | 24 949 | - | 199 741 | 663 374 |
| FIXED ASSETS | 111 374 | 32 745 | | - | 144 119 | 31 006 | 1 493 | - | 32 499 | 111 620 |
| HUMAN RESOURCES | 265 858 | 169 208 | | - | 435 066 | 217 403 | 19 004 | - | 236 407 | 198 659 |
| INDIGENT | 13 968 | 190 668 | | - | 204 636 | 370 | 4 656 | - | 5 026 | 199 610 |
| INFRASTRUCTURE | 33 673 803 | 162 264 | | - | 33 836 067 | 12 573 215 | 1 706 086 | - | 14 279 302 | 19 556 765 |
| LIBRARY | 1 794 972 | 272 682 | | - | 2 067 654 | 483 680 | 78 115 | - | 561 794 | 1 505 860 |
| LICENCES | 175 780 | 31 354 | | - | 207 134 | 32 915 | 1 026 | - | 33 940 | 173 193 |
| LICENCING VUWANI | 58 727 | 36 304 | | - | 95 030 | 33 531 | 8 531 | - | 42 062 | 52 968 |
| MAYORS OFFICE | 34 654 | 258 500 | | - | 293 154 | 3 467 | 11 551 | - | 15 019 | 278 135 |
| MUNICIPAL BUILDINGS | 8 516 849 | 1 493 894 | 6 390 098 | - | 16 400 841 | 2 291 854 | 263 781 | - | 2 555 634 | 13 845 207 |
| MUNICIPAL MANAGER | 127 068 | - | - | - | 127 068 | 118 464 | 4 175 | - | 122 639 | 4 429 |
| PARKS GENERAL | 6 389 702 | 8 943 | | - | 6 398 645 | 1 092 646 | 42 002 | - | 1 134 647 | 5 263 998 |
| PROTECTION SERVICES | 208 563 | - | | - | 208 563 | 94 632 | 4 998 | - | 99 629 | 108 934 |
| PUBLIC WORKS | 347 572 160 | 280 020 327 | 60 124 296 | - | 687 716 783 | 141 046 709 | 19 996 290 | - | 161 042 999 | 526 673 784 |
| RAILWAY LINES | 1 510 114 | - | | - | 1 510 114 | 226 931 | 75 506 | - | 302 437 | 1 207 677 |
| REFUSE | 3 123 455 | - | | - | 3 123 455 | 1 808 444 | 600 884 | - | 2 409 328 | 714 127 |
| SEWERAGE | 62 636 188 | - | | - | 62 636 188 | 22 193 550 | 3 165 221 | - | 25 358 771 | 37 277 417 |
| SINTHULE AREA 9 | 59 861 | - | | - | 59 861 | 59 843 | - | - | 59 843 | 18 |
| STORES | 176 298 | - | | - | 176 298 | 71 059 | 3 564 | - | 74 623 | 101 675 |
| STRATEGIC DEVELOPMENT | 7 720 | - | | - | 7 720 | 7 714 | 0 | - | 7 714 | 6 |
| SWIMMING POOL | 374 177 | - | | - | 374 177 | 90 542 | 12 335 | - | 102 877 | 271 300 |
| TECHNICAL SERVICES (CIVIL) | 905 458 | - | | - | 905 458 | 13 084 | 169 407 | - | 182 491 | 722 967 |
| TOWN CIVIL ENG | 906 419 | - | | - | 906 419 | 766 462 | 38 846 | - | 805 308 | 101 111 |
| TOWN RESOURCES | 93 440 | - | | - | 93 440 | 93 439 | - | - | 93 439 | 1 |
| TOWN SECRETARY | 432 463 | - | | - | 432 463 | 43 974 | 2 922 | - | 46 895 | 385 567 |
| TOWN SECRETARY - ADMIN | 1 131 128 | - | | - | 1 131 128 | 708 674 | 2 150 | - | 710 824 | 420 304 |
| TRAFFIC GENERAL | 541 384 | - | | - | 541 384 | 260 734 | 29 237 | - | 289 971 | 251 413 |
| TSHITALE | 57 589 | - | | - | 57 589 | 57 587 | - | - | 57 587 | 2 |
| VLEYFONTEIN | 22 245 | - | | - | 22 245 | 22 235 | 0 | - | 22 236 | 9 |
| VUWANI | 2 315 823 | - | | - | 2 315 823 | 2 227 866 | 15 743 | - | 2 243 609 | 72 214 |
| VUWANI REGIONAL | 570 940 | - | 148 367 | - | 719 307 | 116 809 | 85 821 | - | 202 629 | 516 677 |
| VUWANI TRAFIC | 210 942 | - | 26 438 | - | 237 380 | 21 234 | 71 233 | - | 92 468 | 144 912 |
| WATER | 142 192 155 | - | 513 402 | - | 142 705 556 | 46 176 854 | 6 602 044 | - | 52 778 899 | 89 926 657 |
| WATERVAL | 335 574 | - | | - | 335 574 | 323 242 | 1 865 | - | 325 107 | 10 467 |
| WATERVAL REGIONAL | 68 837 | - | | - | 68 837 | 1 848 | 5 112 | - | 6 959 | 61 878 |
| WORKSHOP | 84 296 | - | | - | 84 296 | 42 668 | 978 | - | 43 646 | 40 650 |
| Total | 1024 174 485 | 286 578 484 | 77 050 665 | - | 1387 803 635 | 290 625 311 | 52 873 215 | - | 343 498 527 | 1044 305 108 |

MAKHADO LOCAL MUNICIPALITY
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2010

| 2009 | 2009 | 2009 | | 2010 | 2010 | 2010 |
|--------------------|--------------------|---------------------|--------------------------------|--------------------|--------------------|---------------------|
| Actual Income | Actual Expenditure | Surplus / (Deficit) | | Actual Income | Actual Expenditure | Surplus / (Deficit) |
| | | - | Administration | | | - |
| 12 494 | 153 105 | (140 611) | Cemetery | 21 416 | 105 467 | (84 051) |
| 17 113 723 | 655 483 | 16 458 239 | Assesment Rates | 20 683 318 | 1 389 278 | 19 294 040 |
| 144 666 | 6 033 482 | (5 888 816) | Health Services | 56 098 | 7 395 011 | (7 338 914) |
| | | - | Grant in Aid & Donation | | | - |
| 42 215 | 756 954 | (714 739) | Strategic Development Services | - | 1 257 779 | (1 257 779) |
| - | 5 928 049 | (5 928 049) | Corporate Services | 45 127 | 9 575 495 | (9 530 368) |
| 48 567 713 | 27 365 442 | 21 202 272 | Incorporate Areas | 36 365 584 | 26 488 109 | 9 877 475 |
| 16 | 765 695 | (765 679) | Stores | - | 1 028 364 | (1 028 364) |
| 27 705 821 | 5 225 941 | 22 479 881 | Public Works | 31 356 435 | 8 024 660 | 23 331 775 |
| 111 645 941 | 24 734 308 | 86 911 633 | Council's General Expenses | 144 979 706 | 33 801 892 | 111 177 814 |
| 4 449 320 | 9 390 502 | (4 941 182) | Municipal Secretariat | 5 519 890 | 11 733 587 | (6 213 697) |
| 634 728 | 37 262 410 | (36 627 681) | Technical Services | 563 758 | 51 699 046 | (51 135 288) |
| - | 3 665 805 | (3 665 805) | Protection Services | - | 4 166 223 | (4 166 223) |
| 202 909 | 4 996 712 | (4 793 803) | Human Resources | - | 5 860 107 | (5 860 107) |
| 14 799 569 | 84 818 134 | (70 018 565) | Financial Services | 15 258 933 | 98 355 830 | (83 096 897) |
| 18 285 | 616 857 | (598 572) | Swimming Pool | 8 069 | 439 906 | (431 837) |
| - | 401 516 | (401 516) | Railway Facilities | - | 413 591 | (413 591) |
| 138 245 | - | 138 245 | Fixed Properties | 7 573 | - | 7 573 |
| 2 854 031 | 7 367 322 | (4 513 290) | Traffic Services | 2 807 997 | 9 233 535 | (6 425 537) |
| - | 4 634 987 | (4 634 987) | Municipal Manager | - | 5 176 134 | (5 176 134) |
| 130 667 | 3 115 348 | (2 984 681) | Civil Buildings | 113 674 | 6 094 885 | (5 981 211) |
| | | - | Fire Brigade& Ambulance | | | - |
| 45 734 | 1 244 280 | (1 198 546) | Library | 34 374 | 1 817 212 | (1 782 838) |
| 65 692 | 7 393 945 | (7 328 253) | Parks & Recreation | 51 267 | 8 721 261 | (8 669 994) |
| 11 203 010 | 5 692 756 | 5 510 254 | Licensing | 9 974 981 | 7 936 122 | 2 038 859 |
| 4 538 746 | 2 065 180 | 2 473 566 | Cleansing | 4 816 356 | 8 118 834 | (3 302 478) |
| 4 234 310 | 1 720 530 | 2 513 780 | Sewerage | 3 763 751 | 2 070 738 | 1 693 013 |
| 38 291 | - | 38 291 | Sub economic Housing | 38 738 | - | 38 738 |
| 6 127 716 | 6 127 044 | 672 | Economical Housing | 2 242 461 | - | 2 242 461 |
| 130 394 792 | 97 006 965 | 33 387 827 | Electricity | 139 047 339 | 121 796 739 | 17 250 600 |
| 15 974 186 | 11 655 579 | 4 318 607 | Water | 14 183 039 | 13 787 323 | 395 716 |
| - | 16 334 | (16 334) | Aerodrome | - | 58 440 | (58 440) |
| 401 082 819 | 360 810 665 | 40 272 154 | | 431 939 884 | 446 545 568 | (14 605 684) |
| | | 2 234 346 | Less: Inter-Department Charges | | | |
| 401 082 819 | 360 810 665 | 42 506 500 | Total | 431 939 884 | 446 545 568 | (14 605 684) |

APPENDIX E1
Actual versus Budget (Revenue and Expenditure)
for the year ended 30 June 2010

| REVENUE | 2010 Actual | 2010 Budget | 2010 Variance | 2010 Variance |
|--|------------------------|------------------------|--------------------------|--------------------------|
| | R | R | R | % |
| Property rates | 16 834 057 | 36 442 381 | 19 608 324 | 53.81 |
| Service charges | 179 905 752 | 199 146 429 | 19 240 677 | 9.66 |
| Rental of facilities and equipment | 220 302 | 467 656 | 247 354 | 52.89 |
| Interest earned - external investments | 2 934 903 | 3 241 560 | 306 657 | 9.46 |
| Interest earned - outstanding debtors | 9 593 784 | 11 313 593 | 1 719 809 | 15.20 |
| Fines | 2 796 705 | 2 898 949 | 102 244 | 3.53 |
| Licences and permits | 10 066 622 | 17 374 409 | 7 307 787 | 42.06 |
| Government grants and subsidies | 180 769 234 | 186 479 353 | 5 710 119 | 3.06 |
| Other income | 7 556 325 | 11 629 431 | 4 073 106 | 35.02 |
| Total Revenue | 410 677 684 | 468 993 761 | 58 316 077 | |
| Employee related costs | 146 701 797 | 180 838 406 | 34 136 609 | 18.88 |
| Remuneration of councillors | 15 599 914 | 18 468 788 | 2 868 874 | 15.53 |
| Provision for Doubtful debts | 19 217 656 | 19 400 000 | 182 344 | 0.94 |
| Depreciation | 52 886 475 | 53 180 000 | 293 526 | 0.55 |
| Repairs & Maintenance | 21 707 821 | 33 827 568 | 12 119 747 | 35.83 |
| Interest paid | 1 602 303 | 1 613 400 | 11 097 | 0.69 |
| Bulk purchases | 87 788 394 | 95 941 789 | 8 153 395 | 8.50 |
| General expenses | 79 779 009 | 98 453 051 | 18 674 042 | 18.97 |
| Total Expenditure | 425 283 368 | 501 723 002 | 76 439 633 | |

**Explanation of significant Variance
greater than 10% versus Budget**

Reversal of incorrect billing for Dzanani Area.(2009 F/Y)

Due to increase in tariffs for Services.

Decline in customer turnover rate on usage.

Decline is due to economic factors.

Due to increase in outstanding Debtors.

Turnover rate of the need for licences and permit.

Dependent on the customer turnover rate.(Direct Income)

Due to normal yearly salary increase and recruitment of new staff.

Due to normal yearly allowance increase of Public Office bearers.

Favourable savings on major services like Roads, Electricity and Vehicle.

Favourable savings on major expenditure like Fuel costs.

APPENDIX F
MAKHADO MUNICIPALITY
for the year ended 30 June: 2010

Disclosures of Grants and subsidies in Terms of the Section 123 of MFMA,56 of 2003

Grants and Subsidies Received

| Name of Grants | Organ of States | | | | | Quarterly Expenditure | | | | Grants and Subsidies delayed/withheld | Reason for delay/withholding of funds | Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act | Reason for non-compliance |
|-------------------------------------|-------------------|-------------|------------|--------------|--------------|-----------------------|------------|--------------|--------------|---------------------------------------|---------------------------------------|--|---------------------------|
| | | July -Sept | Oct. - Dec | Jan. - March | April - June | July -Sept | Oct. - Dec | Jan. - March | April - June | | | | |
| PHP Grant | Housing/Interest | | | | | 770 898 | 849 231 | 406 745 | 214 915 | No | N/A | Yes | N/A |
| Sport, Arts and Culture | | | 12 028 | 39 874 | 11 393 | 0 | | | | No | N/A | Yes | N/A |
| District Grant | | | | | | 0 | | | | No | N/A | Yes | N/A |
| Municipal Infrastructure Grant | DPLG | 15 000 000 | 2 000 000 | 11 000 000 | 25 618 000 | 5 358 912 | 8 373 223 | 1 814 812 | 15 568 098 | No | N/A | Yes | N/A |
| Municipal Systems Improvement Grant | LGTA | 735 000 | | | | 576 192 | 266 762 | 93 436 | 0 | No | N/A | Yes | N/A |
| INEP | Electricity | - | | | | - | | | 26 438 | No | N/A | Yes | N/A |
| Finance Management Grant | National Treasury | 750 000 | | | | 83 578 | 64 201 | 142 827 | 347 599 | No | N/A | Yes | N/A |
| DWAF Grant | Water | | | | | | 0 | 0 | | No | N/A | Yes | N/A |
| Drought Relief Grant | Water | | | | | | 12 280 | 0 | 0 | No | N/A | Yes | N/A |
| VDM Electricity Grant | Electricity | | | - | | - | 0 | 0 | 0 | No | N/A | Yes | N/A |
| VDM.-graveyards-grant | | | | - | | | | 575 200 | 261 243 | No | N/A | Yes | N/A |
| VDM.- refuse removal truck | | | | - | | | | | 0 | No | N/A | Yes | N/A |
| Equitable Share | National Treasury | 60 510 012 | 40 917 976 | 43 434 653 | | 60 510 012 | 40 917 976 | 43 434 653 | | No | N/A | Yes | N/A |
| | | 76 995 012 | 42 930 004 | 54 474 527 | 25 629 393 | 67 299 592 | 50 483 673 | 46 467 673 | 16 418 293 | | | | |
| | | 200 028 936 | | | | 180 669 231 | | | | | | | |